



Department of Justice

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**JUSTICE DEPARTMENT APPROVES PROPOSAL FOR JOINT LICENSING
OF PATENTS ESSENTIAL FOR MEETING VIDEO TECHNOLOGY STANDARD
USED IN ELECTRONICS AND BROADCAST INDUSTRIES**

WASHINGTON, D.C. -- The Department of Justice today approved a proposal by a group of nine companies and one university that want to create a one-stop-shopping clearinghouse by pooling their patents, which are needed by entities looking to manufacture electronic equipment that stores or transmits compressed video data.

Under the group's proposal, a jointly owned agent known as MPEG LA would license these patents in a single package that would enable manufacturers to meet an international standard known as MPEG-2 video compression technology. The technology standard eliminates redundant information, such as images that are all the same color or figures that do not change from one moment to the next, reducing the amount of data, storage and transmission space required to reproduce video sequences.

Through the licensing agent, manufacturers of products that need to meet the standard will be able to obtain a single license for most of the patents they will need.

The owners of the essential patents are:

The Trustees of Columbia University
Fujitsu Limited

General Instrument Corp.
Lucent Technologies Inc.
Matsushita Electric Industrial Co., Ltd.
Mitsubishi Electric Corp.
Philips Electronics N.V.
Scientific-Atlanta, Inc.
Sony Corp.

The single license will be available to those who provide products or services that store or transmit video information, including televisions, digital video disks and players, telecommunications equipment; as well as cable, satellite and broadcast television services.

The Department's position was stated in a business review letter from Joel I. Klein, Acting Assistant Attorney General in charge of the Antitrust Division, to counsel for MPEG LA and its owners.

Because meeting the standard would infringe on the patent rights of many different entities, in 1993, a number of firms interested in the standard formed a working group to explore a way to efficiently disseminate the essential intellectual property rights to users of the technology. The group sponsored a well publicized search for essential patents, conducted by an independent patent expert.

The expert and his assistant reviewed about 8000 patent abstracts and 800 United States patents; the results of his search led to the formation of MPEG LA by and nine owners of essential patents and Cable Television Laboratories Inc.

Under its agreements with the nine essential patent owners, MPEG LA will serve as a licensing agent, offering nonexclusive licenses worldwide to make, use and sell products that meet the

MPEG-2 standard under a portfolio of the nine firms' essential patents. The license will tell potential licensees exactly what patents are in the portfolio, that each portfolio patent is available independently from its owner, and that the portfolio does not necessarily contain all the patents the licensee will need in order to comply with the MPEG-2 standard.

In order to ensure that the portfolio contains only truly essential patents, but remains open to additions of other essential patents, the nine essential patent owners have agreed to employ an independent patent expert whenever a dispute arises as to whether a patent in the portfolio is in fact not essential, or the portfolio should include a patent that is not already part of the joint licensing program.

Klein said that it appeared that the licensing program was well designed to capture all the efficiencies that can come from joint licensing of complementary technologies, while incorporating many facets that should minimize the possibility of competitive harm. In addition to the benefits from the information the portfolio license will convey to licensees, the use of the independent-expert mechanism will help ensure that the portfolio will contain only patents that are truly essential to the MPEG-2 standard, weeding out patents that are competitive alternatives to each other.

Under the Department's Business Review Procedure, an organization may submit a proposed action to the Antitrust Division and receive a statement as to whether the Division will challenge the action under the antitrust laws.

A file containing the business review request and the Department's response may be examined in the Legal Procedure Unit of the Antitrust Division, Suite 215, Liberty Place, 325 7th Street, N.W., U.S. Department of Justice, Washington, D.C. 20004. After a 30-day waiting period, the documents supporting the business review will be added to the file.

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